

## 9. FINANCIAL INFORMATION

### 9.1 PROFORMA CONSOLIDATED INCOME STATEMENT OF THE GROUP

#### 9.1.1 Proforma consolidated income statement of the Group

The following table sets forth a summary of the proforma consolidated income statements of the Group for the past five (5) FYE 30 June 2004, and the four (4) month period ended 31 October 2004, prepared based on the assumption that the current structure of the Group has been in existence since 1 July 1999. The proforma consolidated income statements are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions set forth below.

	<-----FYE 30 June----->					Financial period ended 31 October 2004
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	RM'000
Turnover	70,069	74,682	79,385	100,517	113,503	39,012
Consolidated profit before interest, depreciation, amortisation and taxation	16,539	12,259	12,863	19,607	23,365	7,444
Amortisation	(1,239)	(1,430)	(512)	(663)	(803)	(231)
Depreciation	(2,179)	(2,550)	(2,664)	(3,032)	(3,372)	(1,430)
Interest expense	(4,029)	(2,706)	(2,517)	(2,878)	(1,392)	(586)
Consolidated PBT after depreciation, amortisation and interest expense	9,092	5,573	7,170	13,034	17,798	5,197
Taxation	(1,903)	(1,393)	(1,423)	(1,724)	(2,307)	(1,063)
Consolidated PAT	7,189	4,180	5,747	11,310	15,491	4,134
MI	(1,330)	(614)	(1,999)	(3,392)	(3,069)	(190)
Net profit attributable to shareholders	5,859	3,566	3,748	7,918	12,422	3,944
Number of Shares in the Company based on the enlarged number of shares in the Company upon listing ('000)	95,260	95,260	95,260	95,260	95,260	95,260
Gross EPS (Sen)	9.5	5.9	7.5	13.7	18.7	16.4*
Net EPS (Sen)	6.2	3.7	3.9	8.3	13.0	12.4*

**Note:**

\* Annualised

There were no exceptional or extraordinary items in the relevant financial periods under review. The Group's audited financial statements for the past five (5) FYE 30 June 2004 and the four (4) month period ended 31 October 2004 have not been subjected to any audit qualification save for:

- a) FYE 30 June 2002 and 2003, where it was stated that the financial statements of C Inc were prepared on the basis that it was a going concern and was dependent on the continuing financial support of Carotech and on C Inc attaining cash inflows to sustain its operations;

**9. FINANCIAL INFORMATION (CONTINUED)**

- b) FYE 30 June 2002 to the period ended 31 October 2004, where the auditors drew attention in the financial statements of H Marketing that the directors of H Marketing would ensure sufficient funds are made available to settle any liabilities as and when required; and
- c) FYE 30 June 2001 to the period ended 31 October 2004, where the auditors drew attention in the financial statements of Javid that the directors of Javid would ensure sufficient funds are made available to settle any liabilities as and when required.

**9.1.2 Principal bases and assumptions**

The principal bases and assumptions used in the preparation of the proforma consolidated income statements for the FYE 30 June 2000 to the period ended 31 October 2004 are as follows:

1. The proforma group comprises Hovid and the following subsidiaries:

	<u>Effective shareholding</u>
	(%)
- Carotech Group	69.9
- H Pharmacy	100.0
- H Inc	100.0
- HYH Sg	80.0
- H Marketing	100.0
- Javid	100.0

2. The proforma group financial information which is prepared for illustrative purposes only to show the effects of the proforma consolidated results of the proforma group for the FYE 30 June 2001 to the period ended 31 October 2004 on the assumption that the acquisitions of the subsidiaries were completed on 1 July 1999.
3. Material inter-company transactions, balances and unrealised gains on transactions within the proforma group have been eliminated to the extent appropriate. The resultant tax effects on unrealised gains on transactions have been adjusted accordingly.
4. Fair values and other adjustments pertinent to consolidation as well as effects of synergy have not been incorporated in the above proforma group financial information presentation.

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## 9. FINANCIAL INFORMATION (CONTINUED)

### 9.1.3 Segmental data

The segmental analysis of the proforma Group turnover and PBT for the five (5) FYE 30 June 2004 and the four (4) month period ended 31 October 2004, are as follows:

	<-----FYE 30 June----->					Financial period ended 31 October 2004
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	RM'000
<b>Analysis of Turnover</b>						
<b>Market</b>						
Export	33,242	33,495	35,824	52,226	60,338	22,988
Local	36,827	41,187	43,561	48,291	53,165	16,024
<b>Total</b>	<b>70,069</b>	<b>74,682</b>	<b>79,385</b>	<b>100,517</b>	<b>113,503</b>	<b>39,012</b>
<b>Products</b>						
Pharmaceutical	57,111	58,121	62,024	71,598	79,222	26,037
Phytonutrient	12,958	16,561	17,361	28,919	34,281	12,975
<b>Total</b>	<b>70,069</b>	<b>74,682</b>	<b>79,385</b>	<b>100,517</b>	<b>113,503</b>	<b>39,012</b>
<b>Analysis of PBT</b>						
<b>Market</b>						
Export	5,136	2,715	4,365	7,669	10,567	3,714
Local	3,956	2,858	2,805	5,365	7,232	1,483
<b>Total</b>	<b>9,092</b>	<b>5,573</b>	<b>7,170</b>	<b>13,034</b>	<b>17,799</b>	<b>5,197</b>
<b>Products</b>						
Pharmaceutical	5,855	3,542	2,345	5,659	11,126	4,402
Phytonutrient	3,237	2,031	4,825	7,375	6,673	795
<b>Total</b>	<b>9,092</b>	<b>5,573</b>	<b>7,170</b>	<b>13,034</b>	<b>17,799</b>	<b>5,197</b>

#### Commentaries on turnover

##### FYE 2001

The increase in turnover was mainly due to the acquisition of C Inc where C Inc acts as the agency and marketing arm of Carotech to promote its products in the US. Additionally, the set up of a new distribution warehouse in Sabah by H Pharmacy has also further increased the turnover with the expansion of its customer base and a general increase in selling prices.

##### FYE 2002

The increase in turnover was due to the higher export sales of pharmaceutical products mainly to countries such as Botswana, Cambodia and Myanmar. Furthermore, the increase in local sales was attributable to another distribution warehouse being set up in Sarawak to further expand its customer base of H Pharmacy and the general increase in demand for the products manufactured by the Group.

##### FYE 2003

The Group has achieved a higher turnover which was mainly due to the increase in demand of the Group's products for the export market as it has managed to register more pharmaceutical products in other countries and an increased in demand for its phytonutrient products. Additionally, the increase in local sales was also contributed by the increase in sale of consumer products of H Pharmacy.

**9. FINANCIAL INFORMATION (CONTINUED)****FYE 2004**

The increase in the turnover of the Group is contributed by the continued increase in demand of the Group's products for the export market as it has managed to register more pharmaceutical products in other countries and an increased in demand from its export markets, such as Nigeria, Cambodia and Botswana. The increase in the turnover of the Group's phytonutrient products is a result of the greater awareness of the health benefits associated with tocotrienol and an increase in the selling price of methyl esters.

**Period ended 31 October 2004**

On a simple annualised basis, export sales have increased by 14.3% and local sales is lower by 9.6% compared to FYE 2004. The increase in export sales is a result of the greater awareness of the health benefits associated with tocotrienol and an increase in the selling price of methyl esters caused by the increase in prices of CPO. Although, the annualised sales for pharmaceutical is slightly below the FYE 2004 pharmaceutical sales, this is caused by the seasonal factors as sales for the second half of a financial year is generally higher than the first half year.

**Commentaries on PBT****FYE 2001**

The lower PBT from pharmaceutical products was mainly due to the reduction in average selling prices of pharmaceutical products arising from increased competition from other generic drug manufacturers and increase in cost of materials purchased for the herbal tea production. However, the impact of the decrease in selling prices was partially mitigated by the higher average selling prices from the soft gel range of products. Additionally, the higher level of staff cost in FYE 2001, contributed by new staff recruited by Hovid during that financial year coupled with salary increment has further reduced the PBT margin.

The decrease in PBT from phytonutrient products was mainly due to the write down in valuation of inventory of RM1.16 million, partially offset by a write back of allowance for slow moving inventories. In addition, FYE 2001 was the first financial year where C Inc's results were included in the Carotech Group's consolidated results. The net effect of consolidation of C Inc was a reduction in the consolidated net profit by RM930,000. The decrease in PBT was mitigated by a drop in finance cost with the continuous reduction in interest rates and bank borrowings of the Group.

**FYE 2002**

The lower PBT from pharmaceutical products was mainly due to the reduction in average selling prices of pharmaceutical products arising from increased competition from other generic drug manufacturers. However, the impact of the decrease in selling prices was partially mitigated by the higher average selling prices from the soft gel range of products. Additionally, the higher level of staff cost in FYE 2002, contributed by new staff recruited by Hovid during that financial year coupled with salary increment has further reduced the PBT margin.

The improvement in PBT of the phytonutrient division was in line with the increase in turnover. In addition, a further decrease in interest expense and staff cost also contributed to the increase in PBT and C Inc managed to break even in FYE 2002.

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**9. FINANCIAL INFORMATION (CONTINUED)**

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**FYE 2003**

The increase in PBT of the pharmaceutical products was mainly contributed by stronger cost control and the increase in turnover and an increase in sale of higher margin products.

The increase in PBT of the phytonutrient products was due to higher turnover achieved by the Carotech Group, despite the marginal decrease in gross profit margin due to the increase in prices of raw material purchased during FYE 2003.

**FYE 2004**

The pharmaceutical division in the Group experienced a significant increase in PBT from the sale of its pharmaceutical products due to the increase in turnover of higher margin products and stringent cost control and pricing strategy in the local and export markets.

Despite the increase in turnover of phytonutrient products, the Group suffered a lower PBT from sale of phytonutrient products due to higher cost of raw material i.e. CPO as well as production inefficiency arising from the commissioning of the new plant.

**Period ended 31 October 2004**

On a simple annualized basis, the PBT of the Hovid Group would appear to be lower than FYE 2004. This is a result of the low profit in the phytonutrient division caused by the commissioning of the new expansion plant in July and August 2004 that has affected its production. The simple annualized PBT of the pharmaceutical division is an increase of 18.7% compared to FYE 2004. This is a result of the increase in turnover of higher margin products and continued stringent cost control and pricing strategy in the local and export markets.

**Commentaries on taxation**

**FYE 2000 to period ended 31 October 2004**

The effective tax rates were lower than the statutory tax rate for all the financial years from FYE 2000 to period ended 31 October 2004 mainly due to the availability of reinvestment allowances to partially set off against profit adjusted for taxation purposes and the tax incentives granted to Carotech. Additionally, the Company's claim for double deduction for R&D expenditure has also reduced the effective tax rates in FYE 2003 and FYE 2004.

**9.1.4 Directors' declaration on financial performance**

Save as disclosed in this prospectus, the financial conditions and operations of the Group are not affected by any of the following:

- (a) any known trends, demands, commitments, events of uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (b) any material commitments for capital expenditure;
- (c) any unusual, infrequent events or transactions or any significant economic changes that have materially effected the financial performance, position and operations of the Hovid Group; and
- (d) any known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

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**9. FINANCIAL INFORMATION (CONTINUED)**


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**9.2 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITY, MATERIAL COMMITMENT AND MATERIAL LITIGATION**
**(a) Working capital**

The directors of the Company are of the opinion that, after taking into account the forecast consolidated cash flows, banking facilities available and the gross proceeds from the Public Issue, the Group will have adequate working capital for a period of twelve (12) months after the date of issuance of this prospectus.

**(b) Borrowings**

As of 31 January 2005, being the last practicable date prior to the printing of this prospectus, the Group does not have any outstanding borrowings, loan capital outstanding, loan capital created but unissued, or mortgage or charge outstanding, save for the following:

Outstanding borrowings	Repayable within twelve months RM'000	Repayable after twelve months RM'000
Trade Facilities	35,736	-
Overdraft	17,240	-
Term loan	3,371	12,088
Hire-purchase	3,131	8,666
Total	59,478	20,754

All the outstanding borrowings above are interest bearing. The trade facilities, encompassing bankers' acceptance and trust receipts, and overdrafts, are utilised to finance working capital. Whereas the term loans and hire purchase facilities are generally utilised to finance plant and equipment for the Group.

**(c) Contingent liability**

As of 31 January 2005, being the last practicable date prior to the printing of this prospectus, the directors of the Company are not aware of any contingent liability incurred by the Company and/or its subsidiary which, upon becoming enforceable, may have a material impact on the financial position of the Group, save as follows:

**RM'000**

Corporate Guarantees (in respect of bank borrowings obtained by subsidiaries of the Company)	8,550
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**(d) Material commitment**

As of 31 January 2005, other than as disclosed below, the directors of the Company are not aware of any material capital commitment contracted or known to be contracted by the Company and/or its subsidiary which, upon becoming enforceable, may have a material impact on the financial position of the Group, save as follows:

**RM'000**

<b>Approved and contracted for</b>	
Land and Building	8,450
Plant and Equipment	109
	8,559
<b>Approved but not contracted for</b>	
Building	2,400
Plant and Equipment	10,221
	12,621
Total Material Capital Commitment	21,180

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**9. FINANCIAL INFORMATION (CONTINUED)**

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**(e) Material litigation**

As of 31 January 2005, being the last practicable date prior to the printing of this prospectus, neither the Company nor its subsidiary is engaged in any litigation and/or arbitration, either as plaintiff or claimant, or defendant or respondent, which has a material effect on the financial position of the Company or its subsidiary, and the directors of the Company are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company and/or its subsidiary, save for:

**(a) In the High Court of Malaya at Kuala Lumpur Suit No. D4-22-2138-2001 Rotta Research Laboratium S.P.A. and Antah Pharma Sdn Bhd v. the Company & 4 others**

Rotta Research Laboratium S.P.A (“Rotta”) and Antah Pharma Sdn Bhd (“Antah Pharma”) (collectively the “Plaintiffs”) had filed this suit seeking, *inter alia*, an injunction to restrain the Company and four (4) others, namely Ho Tack Sien (“Mr. Ho”), Chai Yuet Ying (“Ms Chai”), Advance Pharma Sdn Bhd (“APSB”) and Schmidt Scientific Sdn Bhd (“Schmidt”) (collectively the “Defendants”) from infringing Rotta’s trademark, namely Registered Trademark No. M/072175, and producing, manufacturing, distributing and offering for sale an offending product or any product bearing a name which will infringe the said trademark. The Plaintiffs are also seeking an assessment on damages or the profits obtained by the Company, APSB and Schmidt as a result of the said infringement, and an order to pay all relevant amounts to the Plaintiffs as a result of the said assessment.

The litigation is centered around the product Artril 250, which is a supplement consumed to stop the narrowing of joint space and improves osteoarthritis conditions. In other words, this product can help consumers in the treatment of joint pains resulting from osteoarthritis or the thinning of ligaments at the joints, or to be used as an adjunctive therapy in osteoarthritis and lubrication of joints. Artril is not patented in Malaysia, but is produced and distributed under licence issued by NPCB to APSB, a company owned by Ms Chai and Mr Hoo Kiow @ Ho Fatt, which was incorporated to hold the licence for this product.

On 15 September 2000, the Company had, at that time, entered into a Contract Manufacturing Agreement (“CMA”) with Advance Pharma, a sole proprietorship owned by Ms Chai, wherein Advance Pharma had appointed the Company to contract manufacture Artril 250 based on the specifications and information provided by Ms Chai. The Company was subsequently served with the abovementioned Writ of Summons by the Plaintiffs on 18 December 2001, who alleged, *inter alia*, that Mr. Ho and Ms Chai may have provided confidential information sourced from Antah Pharma (being their ex-employer) to the Company to contract manufacture Artril 250 without the Plaintiffs’ permission. Although Advance Pharma was the party who had entered into the CMA with the Company, APSB was named as the relevant defendant in the said Writ of Summons, by virtue of being the licensee of Artril 250.

The matter has been fixed for case management on 8 March 2005.

In anticipation of the outcome of this case, the Company had sought and was allowed by the High Court to bring in Ms Chai as a third party, on the basis of indemnities provided by Ms Chai, on behalf of APSB, to the Company dated 6 December 2001 and 7 December 2001 (“Third Party Indemnity”). Under the Third Party Indemnity, APSB agreed to, *inter alia*, indemnify the Company, being the contract manufacturer of Artril 250, against all damages, costs, legal costs, penalties and fines as a result of the Company manufacturing and packing Artril 250 on its behalf. Following this, it was agreed that a deposit of RM60,000, being part of the Third Party Indemnity, was payable, the amount of which was subsequently deposited by Ms Chai with the Company.

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**9. FINANCIAL INFORMATION (CONTINUED)**


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**9.3 CONSOLIDATED PROFIT FORECAST**

HOVID BERHAD

CONSOLIDATED PROFIT FORECAST  
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005

The Directors of Hovid Berhad ("Hovid") forecast that the consolidated profit after taxation of Hovid and its subsidiaries ("Hovid Group" or "the Group") after the Public Issue for the financial year ending 30 June 2005 will be as follows:

<u>Forecast 2005</u>	<u>Aggregate results</u> RM'000	<u>Consolidation adjustments</u> RM'000	<u>Consolidated results</u> RM'000
Turnover	182,708	(56,887)	125,821
Profit before taxation	22,021	(3,535)	18,486
Taxation	(3,429)	514	(2,915)
Minority interests	0	(2,556)	(2,556)
Profit after taxation and minority interests	<u>18,592</u>	<u>(5,577)</u>	<u>13,015</u>
Weighted average number of ordinary shares of RM0.50 each in issue ('000)			57,947
Basic earnings per RM0.50 share (sen)			<u>22.46</u>
Price - earnings multiple based on the issue price of RM1.76 per share			<u>7.84</u>

- 1.1 The consolidated profit forecast of Hovid for the financial year ending 30 June 2005 has been prepared based on the Directors' assessment of the present economic and operating conditions, and a number of best estimate assumptions regarding future events and actions which, at the date the forecast was approved, the Directors expect to take place. These future events may or may not take place. The principal bases and assumptions are set out below.

A forecast, by its very nature, is subject to uncertainties and unexpected events, many of which may be outside the control of Hovid and its Directors. Also, events and circumstances often do not occur as anticipated, and therefore actual results are likely to differ from the forecast, and the differences may be material. Accordingly, the Directors cannot and do not guarantee the achievement of the consolidated profit forecast.



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9. FINANCIAL INFORMATION (CONTINUED)

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HOVID BERHAD

CONSOLIDATED PROFIT FORECAST  
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005 (continued)

- 1.2 The consolidated profit forecast has been prepared based on accounting policies and bases consistent with those adopted by Hovid Group.

New accounting policies adopted by Hovid Group in the preparation of the consolidated profit forecast are as follows:

(a) Basis of consolidation

Subsidiaries are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference of the cost of acquisition over the fair value of the Group's share of the subsidiaries' identifiable net assets at the date of acquisition is reflected as reserve on consolidation. Reserve on consolidation is not amortised.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

(b) Foreign subsidiaries

The Group's foreign entities' operations are not an integral part of the operations of the Group. Income statements of the foreign consolidated subsidiaries are translated at average exchange rates for the financial year and balance sheets are translated at exchange rates ruling at the balance sheet date. All resulting translation differences are taken to exchange translation reserve.

Reserve arising on the acquisition of a foreign entity is translated at the closing rate at each balance sheet date.

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**9. FINANCIAL INFORMATION (CONTINUED)**


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HOVID BERHAD

**CONSOLIDATED PROFIT FORECAST  
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005 (continued)**

1.3 The principal bases and assumptions upon which the consolidated profit forecast has been made are as follows:

- (a) The gross proceeds of RM22.528 million from the Public Issue are expected to be utilised by Hovid Group as follows:

	<b>RM'000</b>
Repayment of term loans	4,500
Repayment of bank overdrafts	9,500
	<u>14,000</u>
Working capital	6,928
Payment of estimated listing expenses	1,600
	<u><u>22,528</u></u>

The Group proposes to utilise RM14.0 million of the proceeds from the Public Issue, within six (6) months of receipts, to repay its existing borrowings. The proceeds from the Public Issue allocated for working capital requirements will be utilised to fund the Group's general working capital and administrative requirements, within three (3) months of receipts.

- (b) The listing expenses estimated at RM1.6 million will be written off against the share premium account.
- (c) There will be no significant changes to the prevailing economic and political conditions in Malaysia and elsewhere that will have direct or indirect adverse effects on the Group.
- (d) There will be no major breakdown or disruption in the trading and manufacturing facilities, industrial disputes, disruption from suppliers of materials or other abnormal factors both domestic and overseas, which will adversely affect the operations of the Group or the markets in which it operates. The Group will continue to maintain its purchasing arrangements made with its existing suppliers.
- (e) There will be no material changes in labour costs, price of raw materials and other costs, and there will be no adverse time lag in supply scheduling, which will adversely affect the Group's profitability.
- (f) There will be no major shortage in labour supply which will adversely affect the operations of the Group.
- (g) There will be no material changes in the group structure and principal activities of the Group. The Group will be able to maintain its current customer base, secure additional new customers and achieve the market shares anticipated. There will be minimal threat from new entrants into the market in which the Group operates. There will be no major sales returns or significant erosion in the selling prices.
- (h) The value of contracts awarded to and fulfilled by the Group will be in line with the forecast level.

9. FINANCIAL INFORMATION (CONTINUED)

HOVID BERHAD

CONSOLIDATED PROFIT FORECAST  
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005 (continued)

- 1.3 (i) Production capacity and quantity produced will be sufficient to cover the sales quantities forecasted.
- (j) There will be no product defects or recall and if any, will not materially or adversely affect the Group's performance and the business of its customers.
- (k) There will be no significant changes in the discount, commission and promotional policies which will adversely affect the performance of the Group.
- (l) There will be no material changes in the accounting policies, key management and operating policies adopted by the Group.
- (m) There will be no significant changes in the prevailing inflation and exchange rates of foreign currencies. The exchange rate of US Dollar to Ringgit Malaysia will remain pegged at the prevailing level of USD1: RM3.80.
- (n) There will be no material changes to the present legislation or Government regulations, rates and bases of duties, levies and taxes affecting the Group's activities. The coming on stream of ASEAN Free Trade Area is not expected to have significant impact on the business of the Group.

One of its subsidiaries, Carotech Berhad ("Carotech"), has been granted Incentive for High Technology Companies under the Promotion of Investments Act, 1986 for a period of 5 years for the development, testing and production of palm mixed carotenoids, palm tocotrienols, palm fatty acid methyl esters, crude glycerine and palm phyto sterols. Statutory income is fully exempted from income tax under this incentive.

The commencement date of this incentive will take place immediately after the end of the pioneer period i.e. on 1 December 2003. No income tax charge on the statutory income has been taken to the income statement of Carotech for the financial year ending 30 June 2005.

- (o) The Group practises stringent credit monitoring and control and does not expect significant levels of bad or doubtful debts.
- (p) Existing financing facilities will remain available to the Group at prevailing interest rates.
- (q) The tocotrienols industry is at its infancy stage. There will be no adverse event and development in this industry nor any negative publicity on palm oil products.
- (r) There will be no change in the existing research and development activities nor the collaboration arrangements with the research institutes for continuous development of potential/new applications.

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**9. FINANCIAL INFORMATION (CONTINUED)**


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HOVID BERHAD

CONSOLIDATED PROFIT FORECAST  
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005 (continued)

1.3 (s) There is no infringement or exploitation by third parties on intellectual property rights currently enjoyed by the Group. There are also no challenges by third parties on the legitimate use of third party intellectual property rights currently used by the Group which will adversely affect the performance of the Group.

(t) Proceeds from Carotech's public issue of RM30,676,000 which is assumed to take place by April 2005, are expected to be utilised by Carotech as follows:

	<b>RM'000</b>
Repayment of borrowings	12,000
Working capital	17,176
Payment of estimated listing expenses	1,500
	<u>30,676</u>

(u) There will be no material acquisition or disposal of property, plant and equipment other than those planned in the forecast.

9. FINANCIAL INFORMATION (CONTINUED)

9.4 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST



The Board of Directors  
Hovid Berhad  
121 Jalan Tunku Abdul Rahman  
(formerly known as Jalan Kuala Kangsar)  
30010 Ipoh  
Perak Darul Ridzuan

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
1st Floor  
Standard Chartered Bank Chambers  
21-27 Jalan Dato' Maharaja Lela  
P O Box 136  
30710 Ipoh, Perak, Malaysia  
Telephone +60 5 254 9427/254 9545  
Facsimile +60 5 253 2366  
[www.pwc.com/my](http://www.pwc.com/my)

3 March 2005

Dear Sirs

**HOVID BERHAD  
CONSOLIDATED PROFIT FORECAST  
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005**

We have reviewed the consolidated profit forecast of Hovid Berhad ("Hovid") and its subsidiaries for the financial year ending 30 June 2005 in accordance with International Standard on Auditing 810: The Examination of Prospective Financial Information. The consolidated profit forecast, for which the Directors are solely responsible is set out in section 9.3 of the Prospectus. The consolidated profit forecast is prepared in connection with the listing and quotation of the entire issued and fully paid share capital of 95,260,000 ordinary shares of RM0.50 each in Hovid on the Second Board of Bursa Malaysia Securities Berhad and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by Hovid and its subsidiaries in their respective audited financial statements for the four months ended 31 October 2004 including the adoption of new accounting policies as set out in section 9.3 of the Prospectus. The Directors of Hovid are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

9. FINANCIAL INFORMATION (CONTINUED)



The Board of Directors  
Hovid Berhad

Subject to the matters stated in the preceding paragraph:

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the principal bases and assumptions of the consolidated profit forecast, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted by Hovid and its subsidiaries, in their respective audited financial statements for the four months ended 31 October 2004 including the adoption of new accounting policies as set out in section 9.3 of the Prospectus.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Beaumont Coopers', written over the printed name of the representative.

PricewaterhouseCoopers  
[No. AF-1146]  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Lim Teong Kean', written over the printed name of the representative.

Lim Teong Kean  
[No. 2499/12/05 (J)]  
Partner of the firm

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**9. FINANCIAL INFORMATION (CONTINUED)**


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**9.5 CONSOLIDATED CASH FLOW FORECAST****HOVID BERHAD**
**CONSOLIDATED CASH FLOW FORECAST  
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005**

The Directors of Hovid Berhad ("Hovid") forecast that the consolidated cash flow forecast of Hovid and its subsidiaries ("Hovid Group") after Public Issue for the financial year ending 30 June 2005 will be as follows:

	<u>2005</u> RM'000
Cash flows from operating activities	
Receipts from customers	118,953
Payments to suppliers	(99,640)
Cash from operations	<u>19,313</u>
Payments for interest on borrowings	(3,059)
Payments of taxes	(1,554)
Net cash flow from operating activities	<u>14,700</u>
Cash flows from investing activities	
Advances repaid from Ho Yan Hor Holdings Sdn. Bhd. ("HYH")	11,644
Purchase of property, plant and equipment	(14,734)
Special dividend paid to HYH	(8,000)
Product development expenditure incurred	(2,705)
Acquisitions of subsidiaries	(7,905)
Net cash flow used in investing activities	<u>(21,700)</u>
Cash flows from financing activities	
Proceeds from Public Issue	22,528
Proceeds from public issue of a subsidiary net of listing expenses	29,176
Repayments of hire-purchase financing	(10,639)
Repayments of term loans	(11,217)
Receipts of short term bank borrowings	88,989
Repayments of short term bank borrowings	(92,659)
Listing expenses paid	(1,600)
Net cash flow from financing activities	<u>24,578</u>
Net changes in cash and cash equivalents	17,578
Cash and cash equivalents at beginning of the financial year	<u>(5,071)</u>
Cash and cash equivalents at end of the financial year	<u>12,507</u>

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9. FINANCIAL INFORMATION (CONTINUED)

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HOVID BERHAD

CONSOLIDATED CASH FLOW FORECAST  
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005 (CONTINUED)

The principal bases and assumptions upon which the consolidated cash flow forecast has been made are set out below. These assumptions are to be read together with the principal bases and assumptions used for the consolidated profit forecast for the financial year ending 30 June 2005.

Cash receipts

1. Receipts from sales are expected to be collected within the normal credit periods extended to trade and other debtors.

Cash payments

2. Payments for operating expenditure and purchases are expected to be made within the normal credit period extended by creditors.
3. Payments for capital expenditure are expected to be made according to Hovid Group's plans for the expansion of its activities.
4. There will be no material changes to the present legislation or Government regulations, rates and bases of duties, levies and taxes affecting the Group's activities. Tax payable for year of assessment 2005 will be paid in the same financial year.
5. Repayments of borrowings and interest payment will be made in accordance with the existing repayment schedules.
6. No dividend will be paid in the financial year ending 30 June 2005 except for the special dividend of RM8 million paid to Ho Yan Hor Holdings Sdn. Bhd. on 1 December 2004.



9. FINANCIAL INFORMATION (CONTINUED)

9.6 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED CASHFLOW FORECAST



The Board of Directors  
Hovid Berhad  
121 Jalan Tunku Abdul Rahman  
(formerly known as Jalan Kuala Kangsar)  
30010 Ipoh  
Perak Darul Ridzuan

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
1st Floor  
Standard Chartered Bank Chambers  
21-27 Jalan Dato' Maharaja Lela  
P O Box 136  
30710 Ipoh, Perak, Malaysia  
Telephone +60 5 254 9427/254 9545  
Facsimile +60 5 253 2366  
[www.pwc.com/my](http://www.pwc.com/my)

3 March 2005

Dear Sirs

**HOVID BERHAD  
CONSOLIDATED CASH FLOW FORECAST  
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005**

We have reviewed the consolidated cash flow forecast of Hovid Berhad ("Hovid") and its subsidiaries for the financial year ending 30 June 2005 in accordance with International Standard on Auditing 810: The Examination of Prospective Financial Information. The consolidated cash flow forecast, for which the Directors are solely responsible, is set out in section 9.5 of the Prospectus. The consolidated cash flow forecast is prepared in connection with the listing and quotation of the entire issued and fully paid share capital of 95,260,000 ordinary shares of RM0.50 each in Hovid on the Second Board of Bursa Malaysia Securities Berhad and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by Hovid and its subsidiaries in their respective audited financial statements for the four months ended 31 October 2004 including the adoption of new accounting policies as set out in section 9.3 of the Prospectus. The Directors of Hovid are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

9. FINANCIAL INFORMATION (CONTINUED)



The Board of Directors  
Hovid Berhad

Subject to the matters stated in the preceding paragraph:

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the principal bases and assumptions of the consolidated cash flow forecast, do not provide a reasonable basis for the preparation of the consolidated cash flow forecast; and
- (ii) in our opinion, the consolidated cash flow forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors.

Yours faithfully

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers  
[No. AF-1146]  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Lim Teong Kean'.

Lim Teong Kean  
[No. 2499/12/05 (J)]  
Partner of the firm

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**9. FINANCIAL INFORMATION (CONTINUED)**

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**9.7 DIRECTORS' ANALYSIS OF THE CONSOLIDATED PROFIT AND CASHFLOW FORECASTS FOR THE FYE 30 JUNE 2005**

The Board has reviewed and analysed the bases and assumptions used in arriving at the consolidated profit and cash flow forecasts of the Group for the FYE 30 June 2005 and is of the opinion that the consolidated profit and cash flow forecasts are fair and reasonable in light of the prospects of the industry in which it operates and the future plans, strategies and prospects of the Group as set out in **Section 12** of this prospectus and after taking into consideration the forecast level of gearing, liquidity and working capital requirements of the Group.

Hovid Group forecasts to achieve a group turnover of approximately RM147.8 million (without pre-acquisition adjustments and net of inter-company adjustments), an improvement of 30.2% over the proforma consolidated turnover for the FYE 2004 of RM113.5 million. The main reasons for the increase in the turnover are due to increased production capacity from its new site located in Chemor, Perak Darul Ridzuan, as well as from the additional capacity gained from the purchase of additional plant and machinery for its production processes. Further, the Group is expected to benefit from new approvals being granted for its products which were previously registered with the relevant local authorities in their respective countries, including Malaysia. Additionally, the completion of the plant expansion at Carotech has also provided additional capacity for Carotech to meet its backlog of demand. As a result of the increase in turnover, the forecast consolidated PAT before MI (without pre-acquisition adjustments and net of inter-company adjustments) is forecasted to increase by 5.8% to approximately RM16.4 million for the FYE 30 June 2005, compared to RM15.5 million in FYE 30 June 2004.

Hovid Group forecasts to have a consolidated net cash and cash equivalent balance of RM12.5 million at the end of FYE 2005, an increase of RM17.6 million over the opening balance of negative RM5.1 million. The main cause for the increase is the forecast inflow of public funds from both the listing of Hovid and Carotech of RM22.5 million and RM30.7 million respectively. Additionally, the increase is also contributed by the forecasted increase in turnover and profits resulting in a net operating cash inflow of RM14.7 million.

**9.8 DIVIDEND FORECAST**

It is the policy of the Directors of the Company to recommend dividends to allow shareholders to participate in the profits of the Company as well as leaving adequate reserves for the future growth of the Group.

For the FYE 30 June 2005, the Directors of the Company do not intend to declare any dividend. Nevertheless, the Directors will endeavour to declare dividends in the future.

Future dividends may be waived if:

- (a) the Group is in a loss position for the relevant financial year; or
- (b) the Group has insufficient cash flows to meet any dividend payments.

Notwithstanding the above, the Directors of the Company have full discretion not to propose any future dividend payment as and when deemed necessary, if it is in the best interest of the Company to do so.

## 9. FINANCIAL INFORMATION (CONTINUED)

### 9.9 SENSITIVITY ANALYSIS

The principal bases and assumptions upon which the sensitivity analysis on the Hovid Group's consolidated forecast PATMI has been made as follows:

- (a) The selected variable will vary  $\pm 5\%$ ,  $\pm 10\%$  and  $\pm 20\%$  from the base case; and
- (b) Except for the selected sensitized items, the same assumptions for the other items in the base case shall apply.

The following scenarios attempt to show the impact on profit resulting from the changes in sales and cost of sales:

#### (a) Changes in sales

	Forecast FYE 30 June 2005	
	RM '000	% change
Base case PATMI	13,015	-
PATMI resulting from the change in sales volume by:		
+5%	19,318	48.4
+10%	25,621	96.9
+20%	38,226	193.7
-20%	(12,195)	(193.7)
-10%	410	(96.9)
-5%	6,713	(48.4)

#### (b) Changes in cost of sales

	Forecast FYE 30 June 2005	
	RM '000	% change
Base case PATMI	13,015	-
PATMI resulting from the change in cost of sales by:		
+5%	9,720	(25.3)
+10%	6,424	(50.6)
+20%	(168)	(101.3)
-20%	26,199	101.3
-10%	19,607	50.6
-5%	16,311	25.3

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## 9. FINANCIAL INFORMATION (CONTINUED)

## 9.10 PROFORMA CONSOLIDATED BALANCE SHEET

## HOVID BERHAD

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2004

The proforma consolidated balance sheets of Hovid Berhad ("Hovid") and its subsidiaries as set out below are provided solely for illustrative purposes only to show the effects of the Listing Exercise, Offer for Sale and Public Issue of Hovid and the proposed listing of one of its subsidiaries, Carotech Berhad on the assumption that these transactions were completed on 31 October 2004.

	Audited balance sheet of Hovid as at 31 October 2004 RM'000	Proforma I Completed transactions RM'000	Proforma II After Proforma I and Public Issue RM'000	Proforma III After Proforma II and proposed Carotech's listing RM'000
<b>Non current assets</b>				
Property, plant and equipment	29,582	85,387	85,387	85,387
Intangible assets	13,100	13,100	13,100	13,100
	42,682	98,487	98,487	98,487
<b>Current assets</b>				
Inventories	13,783	36,447	36,447	36,447
Trade debtors	8,138	26,221	26,221	26,221
Other debtors, deposits and prepayments	1,743	3,125	3,125	3,125
Amount owing by HYH	13,259	-	-	-
Amount owing by fellow subsidiaries	15,236	-	-	-
Tax recoverable	-	1,081	1,081	1,081
Cash and bank balances	942	2,040	8,968	26,144
	53,101	68,914	75,842	93,018
<b>Current liabilities</b>				
Trade creditors	7,941	11,776	11,776	11,776
Other creditors and accruals	3,096	5,301	5,301	5,301
Amount owing to fellow subsidiaries	3,801	-	-	-
Hire-purchase creditors	1,226	3,143	3,143	3,143
Short term bank borrowings	18,807	30,137	30,137	30,137
Term loans	2,110	3,295	3,295	3,060
Bank overdrafts	9,942	16,442	6,942	6,942
Tax payable	581	583	583	583
	47,504	70,677	61,177	60,942
<b>Net current assets/(liabilities)</b>	5,597	(1,763)	14,665	32,076
<b>Non current liabilities</b>				
Hire-purchase creditors	898	5,179	5,179	1,184
Term loans	8,685	16,911	12,411	4,641
Deferred taxation	4,982	7,451	7,451	7,451
	14,565	29,541	25,041	13,276
	33,714	67,183	88,111	117,287
<b>Capital and reserves</b>				
Share capital	3,886	41,230	47,630	47,630
Share premium	935	-	14,528	14,528
Revaluation reserve	67	3,154	3,154	3,154
Reserve on consolidation	-	6,074	6,074	6,074
Retained earnings	28,826	8,437	8,437	18,175
Minority interests	-	8,288	8,288	27,726
	33,714	67,183	88,111	117,287
NTA per RM1.00 share (RM)	5.30	N/A	N/A	N/A
NTA per RM0.50 share (RM)	N/A	0.56	0.70	0.80

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9. FINANCIAL INFORMATION (CONTINUED)

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HOVID BERHAD

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2004

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1 Audited balance sheets

1.1 The balance sheet of Hovid as at 31 October 2004 is extracted from the audited financial statements for the four months ended 31 October 2004.

1.2 The balance sheets of Hovid's subsidiaries which are used for the purpose of the preparation of proforma consolidated balance sheets, are extracted from the respective audited financial statements for the four months ended 31 October 2004.

2 Proforma consolidated balance sheets

2.1 Basis of preparation

The proforma consolidated balance sheets have been prepared and presented based on accounting policies and bases consistent with those adopted by Hovid and its subsidiaries in the preparation of the audited financial statements and the new accounting policies stated below.

2.2 New accounting policies adopted by Hovid and its subsidiaries in the preparation of the proforma consolidated balance sheets are as follows:

(a) Basis of consolidation

Subsidiaries are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference of the cost of acquisition over the fair value of the Group's share of the subsidiaries' identifiable net assets at the date of acquisition is reflected as reserve on consolidation. Reserve on consolidation is not amortised.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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9. FINANCIAL INFORMATION (CONTINUED)

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HOVID BERHAD

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2004

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (continued)

2 Proforma consolidated balance sheets (continued)

2.2 (a) Basis of consolidation (continued)

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

(b) Foreign subsidiaries

The Group's foreign entities' operations are not an integral part of the operations of the Group. Income statements of the foreign consolidated subsidiaries are translated at average exchange rates for the financial year and balance sheets are translated at exchange rates ruling at the balance sheet date. All resulting translation differences are taken to exchange translation reserve.

Reserve arising on the acquisition of a foreign entity is translated at the closing rate at each balance sheet date.

2.3 The proforma consolidated balance sheets have been prepared for illustrative purposes only to show the effects on the consolidated balance sheets of Hovid and its subsidiaries as at 31 October 2004 had the following transactions been effected:

(a) Completed transactions

- Revaluation of land and buildings of Hovid Group and the incorporation of the revaluation surplus of RM4,850,868 net of deferred taxation into the financial statements of Hovid Group.
- Disposal of a piece of freehold land together with the erected buildings by Hovid to Carotech Berhad ("Carotech") valued at RM5,710,000, by an independent registered valuer for a cash consideration of RM5,710,000.

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**9. FINANCIAL INFORMATION (CONTINUED)**


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HOVID BERHAD

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2004

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (continued)

2 Proforma consolidated balance sheets (continued)

2.3 (a) Completed transactions (continued)

- Acquisition of subsidiaries by Hovid as follows:

- acquisition of the entire issued and fully paid share capital of Hovid Pharmacy Sdn. Bhd. ("H Pharmacy") from Ho Yan Hor Holdings Sdn. Bhd. ("HYH") comprising 1,212,200 ordinary shares of RM1.00 each for a purchase consideration of RM3,034,345 approximating the adjusted net tangible asset value as at 30 June 2003 (after adjusting for the revaluation surplus arising from the valuation of land and buildings), satisfied by the issuance of 3,034,345 new ordinary shares of RM1.00 each at par in Hovid;
- acquisition of the entire issued and fully paid share capital of Hovid Inc. ("H Inc") from HYH, comprising 102,238 ordinary shares of Peso 100 each for a purchase consideration of RM460,344 equivalent to the net tangible asset value as at 30 June 2003, satisfied by the issuance of 460,344 new ordinary shares of RM1.00 each at par in Hovid;
- acquisition of 46.2% issued and fully paid share capital of Carotech from HYH, comprising 1,587,078 ordinary shares of RM1.00 each for a purchase consideration of RM9,235,328 equivalent to the adjusted net tangible asset value as at 30 June 2003 (adjusted to include rights issue of RM132,000 issued by Carotech on 20 November 2003), satisfied by the issuance of 9,235,328 new ordinary shares of RM1.00 each at par in Hovid;
- acquisition of 23.7% issued and fully paid share capital of Carotech comprising 810,105 ordinary shares of RM1.00 each in Carotech for a consideration of RM4,714,063 equivalent to the adjusted net tangible asset value as at 30 June 2003 (adjusted to include rights issue of RM132,000), satisfied by the issuance of 2,715,603 new ordinary shares of RM1.00 each in Hovid at an issue price of RM1.74 (rounded to nearest 2 decimal places) per share to the following vendors:

Vendors	Acquisition of Ordinary Shares in Carotech	Issuance of Ordinary Shares in Hovid
Commerce Asset Ventures Sdn. Bhd. ("CAV")	361,814	1,212,859
DH	80,001	268,177
HYH	285,793	958,024
Leong Weng Hoong	82,497	276,543
	<u>810,105</u>	<u>2,715,603</u>



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**9. FINANCIAL INFORMATION (CONTINUED)**


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HOVID BERHAD

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2004

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (continued)

2 Proforma consolidated balance sheets (continued)

2.3 (a) Completed transactions (continued)

- Acquisition of subsidiaries by Hovid as follows (continued):
  - acquisition of 80% issued and fully paid share capital of Ho Yan Hor (S) Pte. Ltd. ("HYH Sg"), comprising of 40,000 ordinary shares of Singapore Dollar 1 each for a purchase consideration of RM34,304 equivalent to the net tangible asset value as at 30 June 2003, satisfied by the issuance of 34,304 new ordinary shares of RM1.00 each at par in Hovid;
  - acquisition of the entire issued and fully paid share capital of Javid Sdn. Bhd. ("Javid"), comprising 100 ordinary shares of RM1.00 each and the transfer of shareholders' advance due by Javid to DH of RM1,652,973 for a total purchase consideration of RM5,230,255 approximating the adjusted net tangible asset value as at 30 June 2003 (after adjusting for the revaluation surplus arising from the valuation of land), satisfied by the issuance of 611,967 new ordinary shares of RM1.00 each in Hovid at an issue price of RM8.55 (rounded to the nearest 2 decimal places) per share; and
  - acquisition of the entire issued and fully paid share capital of Hovid Marketing Sdn. Bhd. ("H Marketing"), comprising 2 ordinary shares of RM1.00 each for a purchase consideration of RM2 equivalent to the paid-up share capital as at 30 June 2003, satisfied by the issuance of 2 new ordinary shares of RM1.00 each at par in Hovid.
- Acquisition by Hovid of two pieces of land together with the erected buildings from HYH valued at RM7,450,000 by an independent registered valuer for a cash consideration of RM7,450,000.
- Acquisition by Hovid of a bungalow unit in Cameron Highlands from DH valued at RM1,000,000 by an independent registered valuer, satisfied by the issuance of 117,005 new ordinary shares of RM1.00 each in Hovid at an issue price of RM8.55 (rounded to the nearest 2 decimal places) per share.
- Special dividend of RM8 million declared and paid out by Hovid to HYH in the financial year ending 30 June 2005.
- Bonus issue of 21,135,102 new ordinary shares of RM1.00 each on the basis of 1.05 (rounded to 2 decimal places) new ordinary shares for every one existing ordinary share of RM1.00 each held in Hovid.
- Subdivision of every ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each.

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**9. FINANCIAL INFORMATION (CONTINUED)**


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HOVID BERHAD

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2004

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (continued)

2 Proforma consolidated balance sheets (continued)

2.3 (b) Proposals

- Offer for sale of 24,177,000 ordinary shares of RM1.00 each at an offer price of RM1.76 per share by two of Hovid's existing shareholders, CAV and EQL to Bumiputera investors nominated and approved by the MITI.
- Public Issue of 12,800,000 new ordinary shares of RM0.50 each at an issue price of RM1.76 per share.

(c) Proposed listing of one of its subsidiaries, Carotech

Public issue of 76,690,000 new ordinary shares of RM0.10 each of Carotech at an issue price of RM0.40 per share on the MESDAQ Market of Bursa Malaysia Securities Berhad is expected to take place by April 2005.

(d) Proforma I

Proforma I incorporates completed transactions as stated in 2.3 (a) above.

(e) Proforma II

Proforma II incorporates Proforma I and the adjustments in respect of the Public Issue as stated in 2.3 (b) above.

For the purpose of the preparation of Proforma II, the gross proceeds of RM22.528 million from the Public Issue will be utilised as follows:

	<b>RM'000</b>
Repayment of term loans	4,500
Repayment of bank overdrafts	9,500
	<hr/>
	14,000
Working capital	6,928
Payment of estimated listing expenses	1,600
	<hr/>
	<b>22,528</b>
	<hr/>

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**9. FINANCIAL INFORMATION (CONTINUED)**


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HOVID BERHAD

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2004

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (continued)

## 2 Proforma consolidated balance sheets (continued)

## (f) Proforma III

Proforma III incorporates Proforma II and the adjustments in respect of the proposed listing of Carotech as stated in 2.3(c) above.

For the purpose of the preparation of Proforma III, the gross proceeds of RM30.676 million from the public issue of Carotech will be utilised as follows:

	<b>RM'000</b>
Repayment of bank borrowings	12,000
Working capital	17,176
Payment of estimated listing expenses	1,500
	<u>30,676</u>

## 3 Capital and reserves

	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Revaluation reserve RM'000</b>	<b>Reserve on consolidation RM'000</b>	<b>Retained earnings RM'000</b>
As at 31 October 2004	3,886	935	67	-	28,826
Completed transactions	37,344	(935)	3,087	6,074	(20,389)
As shown in Proforma I	41,230	-	3,154	6,074	8,437
Public Issue of 12,800,000 new ordinary shares of RM0.50 each at an issue price of RM1.76	6,400	16,128	-	-	-
Estimated listing expenses	-	(1,600)	-	-	-
As shown in Proforma II	47,630	14,528	3,154	6,074	8,437
Proposed Carotech's listing	-	-	-	-	9,738
As shown in Proforma III	<u>47,630</u>	<u>14,528</u>	<u>3,154</u>	<u>6,074</u>	<u>18,175</u>

9. FINANCIAL INFORMATION (CONTINUED)

9.11 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEET



The Board of Directors  
Hovid Berhad  
121 Jalan Tunku Abdul Rahman  
(formerly known as Jalan Kuala Kangsar)  
30010 Ipoh  
Perak Darul Ridzuan

3 March 2005

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
1st Floor  
Standard Chartered Bank Chambers  
21-27 Jalan Dato' Maharaja Lela  
P O Box 136  
30710 Ipoh, Perak, Malaysia  
Telephone +60 5 254 9427/254 9545  
Facsimile +60 5 253 2366  
[www.pwc.com/my](http://www.pwc.com/my)

Dear Sirs

**HOVID BERHAD**  
**PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2004**

We have reviewed the proforma consolidated balance sheets of Hovid Berhad ("Hovid") and its subsidiaries (collectively known as "the Group") as at 31 October 2004, together with the notes thereon for which the Directors are solely responsible, as set out in section 9.10 of the Prospectus. The proforma consolidated balance sheets are prepared in connection with the listing and quotation of the entire issued and fully paid share capital of 95,260,000 ordinary shares of RM0.50 each in Hovid on the Second Board of Bursa Malaysia Securities Berhad and should not be relied on for any other purposes.

Based on the results of our review, we are of the opinion that:

- (a) the proforma consolidated balance sheets of the Group as at 31 October 2004 have been properly compiled on the bases set out in the notes to the proforma consolidated balance sheets;
- (b) such bases are consistent with the accounting policies adopted by Hovid and its subsidiaries in their respective audited financial statements for the four months ended 31 October 2004; and
- (c) the adjustments as set out in the notes to the proforma consolidated balance sheets are appropriate for the purpose of the preparation of the proforma consolidated balance sheets.

Yours faithfully

PricewaterhouseCoopers  
[No. AF-1146]  
Chartered Accountants

Lim Teong Kean  
[No. 2499/12/05 (J)]  
Partner of the firm